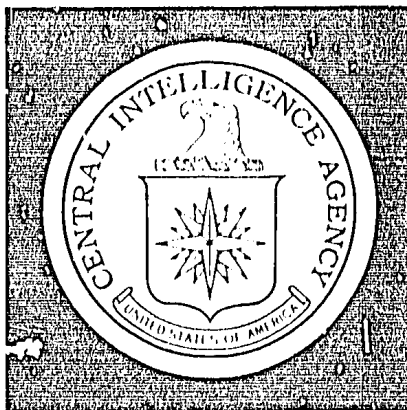


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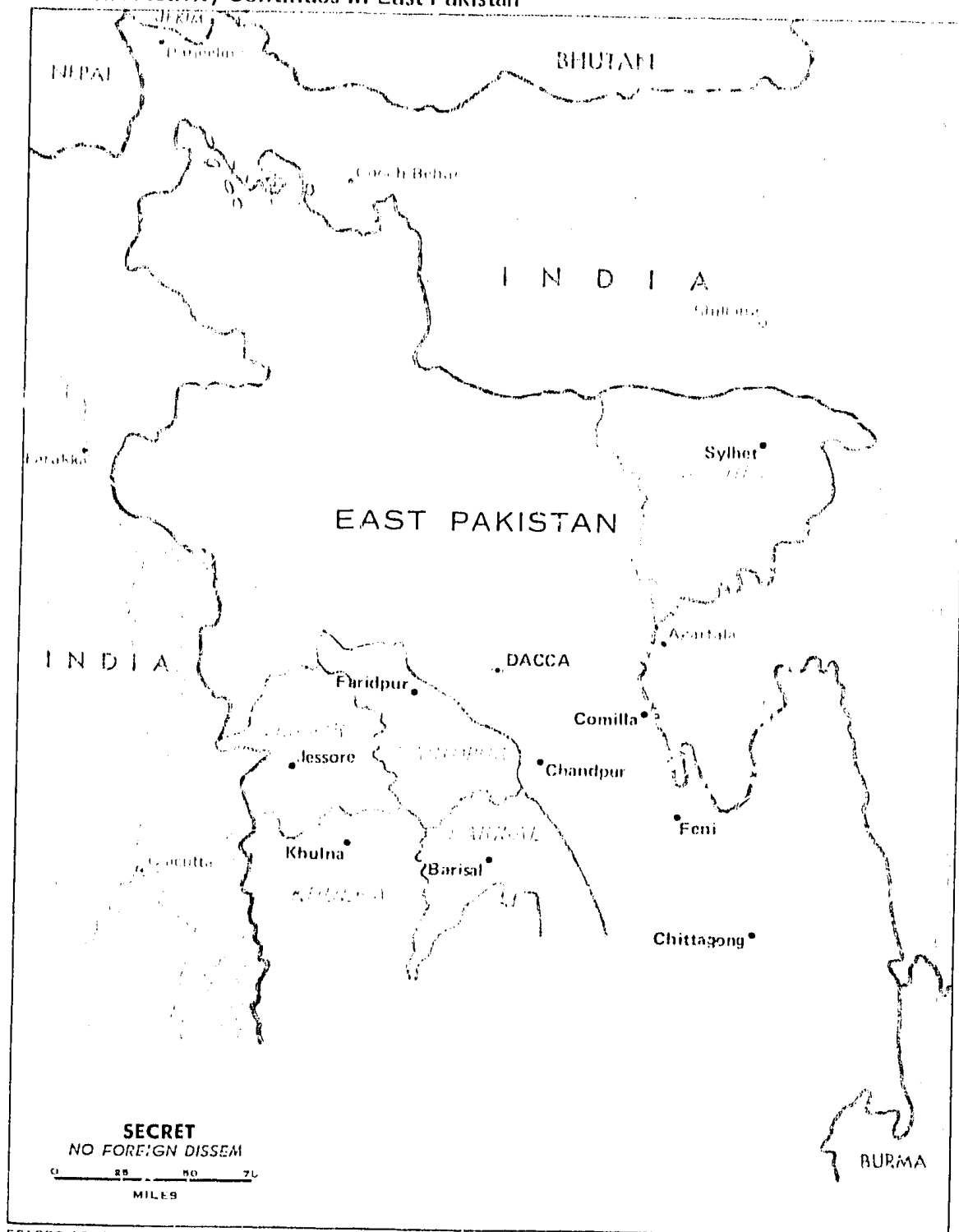
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Guerrilla Activity Continues in East Pakistan



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PAKISTAN: Sabotage and terrorism continue in East Pakistan, but so far there is no indication that the widespread post-monsoon offensive by the Mukti Bahini (Liberation Forces) has begun.

In Dacca, where increased security measures had almost halted insurgent activity last month, bombings have resumed and gas lines to the city again have been sabotaged. Insurgents have used mortars for the first time in Dacca but failed to hit their apparent target, the airport.

Bombings continue in Chittagong, where a power transformer was knocked out on 7 October. There have been no reports of attacks on shipping by Mukti Bahini frogmen since 2 October when a Greek tanker reportedly was damaged.

25X1C

In the eastern part of the province, [redacted] 30 to 40 dead Pakistani soldiers in a bus and two trucks that apparently had been machine-gunned two or three days earlier. Heavy fighting has been reported near Chandpur, and 5,000 army troops are said to have been sent to Comilla.

25X1C

25X1C

[redacted] guerrilla activity has forced about a fifth of the tea plantations in Sylhet District to stop production, and transportation to the ports has become so risky that the military has authorized the shipment of tea on air force planes.

25X1X

Guerrillas are also active in Jessore and Khulna districts and they control several police stations in Faridpur District. [redacted]

25X1X

[redacted] the Mukti Bahini control most rural areas in Barisal District.

The roughly 70,000 Pakistani Army troops, supported by paramilitary forces and police, continue to engage the guerrillas, but the expected wide-scale counterinsurgency effort has not yet been initiated. (SECRET NO FOREIGN DISSEM)

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SOUTH KOREA: The government has decided to take strong action to quell persistent student demonstrations and is bracing for increased violence.

President Pak will announce today the government's decision to enforce the military training law. More than 100 leaders of the 5,000 or so university students in Seoul in violation of the law are to be arrested and conscripted; all nonofficial student publications and campus organizations have been outlawed. In anticipation of violent student response, six companies of combat police reinforcements are being brought to the city, with additional army reinforcements placed on standby.

The government obviously now feels that its earlier, more moderate approach to the demonstrations has failed and that the best course is to eliminate the core of student leadership, thus giving a graphic warning to others who would assume control of the protest. Last spring the government was able to curb a smaller demonstration through selective arrests. For the moment, the students appear to be awaiting the full force of government actions before responding. There are some indications the opposition political party may champion the students' cause.

The scope and intensity of the present outbreak are such that considerable violence may take place; this would be compounded by action such as the closing of some universities and the imposition of martial law. (CONFIDENTIAL)

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EUROPEAN COMMUNITIES: Despite repeated US representations, the EC is determined to push ahead with preferential arrangements for Sweden, Austria, Switzerland, and Finland, the four EFTA neutrals which do not seek full community membership

US embassies in Europe report there is virtually no chance of persuading the EC countries to defer their offer to negotiate industrial free trade arrangements with these countries. The Six hold that such an arrangement would be the minimum fulfillment of their pledge to institute special arrangements with the noncandidates simultaneously with the EC's enlargement.

25X6

The EFTA neutrals themselves are pressing for an early determination of their future status with the enlarged community, and appear to favor the industrial free trade approach, despite continuing differences between them and the community on specific terms. The EC Council will discuss the EFTA problem further on 18 October, and a directive for the Commission to open formal negotiations is likely to be approved early next month. (CONFIDENTIAL NO FOREIGN DISSEM)

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DENMARK: The new Social Democratic minority government is committed to cutting back the Danish defense establishment.

In early 1970, the Social Democrats, then in the opposition, drafted a reform program which, if implemented, might reduce the already limited effectiveness of the military forces. The key feature of the program is the reorganization of the army into a small volunteer professional cadre of about 7,000 officers and men, supported by conscripts organized into local defense forces. The period of service for conscripts would be reduced from 12 months to five or six months. The navy would be limited primarily to motor torpedo boats, and the air force would lose 25 percent of its aircraft.

Over the last 18 months, the plan has evoked considerable opposition from other political parties as well as the military. In response, Social Democratic leaders have stressed their support for Danish membership in NATO, and have argued that, given parliament's reluctance to increase defense spending, a scaled-down military establishment would be more efficient than the present forces. Moreover, the Social Democrats have offered to negotiate their program.

NATO officials regard the current Danish defense program as woefully inadequate and estimate that without extensive reinforcements Denmark would face difficulties against almost any threat. The reform would be viewed with distress at NATO to the extent that it reinforces the inclination of other NATO allies to decrease their own efforts at a time when the US is calling for the European allies to contribute more to their own defense.

Neither Prime Minister Krag nor Defense Minister Olesen has indicated when the government, which was installed earlier this week, will take up the proposed reforms. The subject, however, is listed as one of the government's five top priorities. (SECRET NO FOREIGN DISSEM)

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SWEDEN: Prime Minister Olof Palme in a TV interview attributed Sweden's economic recession this year to external developments--primarily the new US economic policy--thereby rejecting governmental responsibility for the largest unemployment since the 1930s.

Palme's government, which had promised resolution of the unemployment problem earlier this year, appears to be looking for a scapegoat. Sweden's unemployment has resulted from a significant decline in orders of domestic industries. The government's stimulative measures have been largely restricted to a gradual relaxation of credit policy, which has fallen short of encouraging consumption as well as investment.

Moreover, because the US takes no more than six percent of Swedish exports, the US economic program has had little impact. Sweden's trade balance is one of the strongest elements of its economy. Between May 1970 and May 1971 exports exceeded imports by \$231 million; this compares with a \$446-million deficit a year earlier. Exports have risen by approximately 15 percent thus far in 1971 and are likely to grow further. Sweden's major export markets in the UK and West Germany are predicted to expand. At the same time, Sweden's economic downturn has led to a substantial fall in imports.
(CONFIDENTIAL)

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TRINIDAD: A recent upsurge in labor violence may force the government to enforce currently ignored labor legislation and press for passage of a long-awaited industrial relations act.

Labor unrest has been endemic in the uncertain political atmosphere engendered largely by the government of Prime Minister Williams in recent years. A major factor in much of the unrest is the lack of governmental enforcement of labor laws already on the books to control extralegal strikes and boycotts. Other factors are the poaching of membership between the various labor unions and the vague wording of the Industrial Stabilization Act, which is considered too broad in scope and subject to lawful evasion. The ringleader of much of the labor unrest is George Weekes, leftist leader of the Oilfield Workers' Union and its various affiliate organizations.

The most recent incident involved one of the affiliate elements, alleged to be radical and black power - oriented, that went on a rampage over wage demands at the site of a US-owned construction company that is building an \$80-million desulfurization facility for Texaco. The company informed the Ministry of Labor on 13 October that it was evacuating all of its foreign staff and dependents and would terminate all local employees. The company apparently believes that this is the only way to rid itself of the radicals among its employees and clear the slate for a more selective hiring policy if labor conditions improve enough to justify its return.

The precipitate pullout of the company may have a temporary chilling effect on the investment climate. More important, its actions may prove to be the catalyst that forces the government to assert itself in settling the growing labor unrest and press for the enactment of clear and enforceable legislative guidelines for labor and management. Should the government continue to vacillate, investor confidence may be shaken. (CONFIDENTIAL)

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NOTES

COMMUNIST CHINA - LAOS: The Chinese have cleared intermittent survey traces on Route 46 to just west of Pak Beng at the Mekong River, according to photography of 5 October. The motorable limit of the road has been extended two miles since late September to a point ten miles southwest of Muong Houn. However, there have been no apparent additions to the five AAA sites and two construction camps seen last month near Muong Houn. The Chinese have been working at a deliberate pace so far, but there are sufficient manpower and other resources in Laos to complete a motorable road to Pak Beng in two or three months. An all-weather road with permanent culverts and bridges would take several more months. (SECRET NO FOREIGN DISSEM) (Map on reverse)

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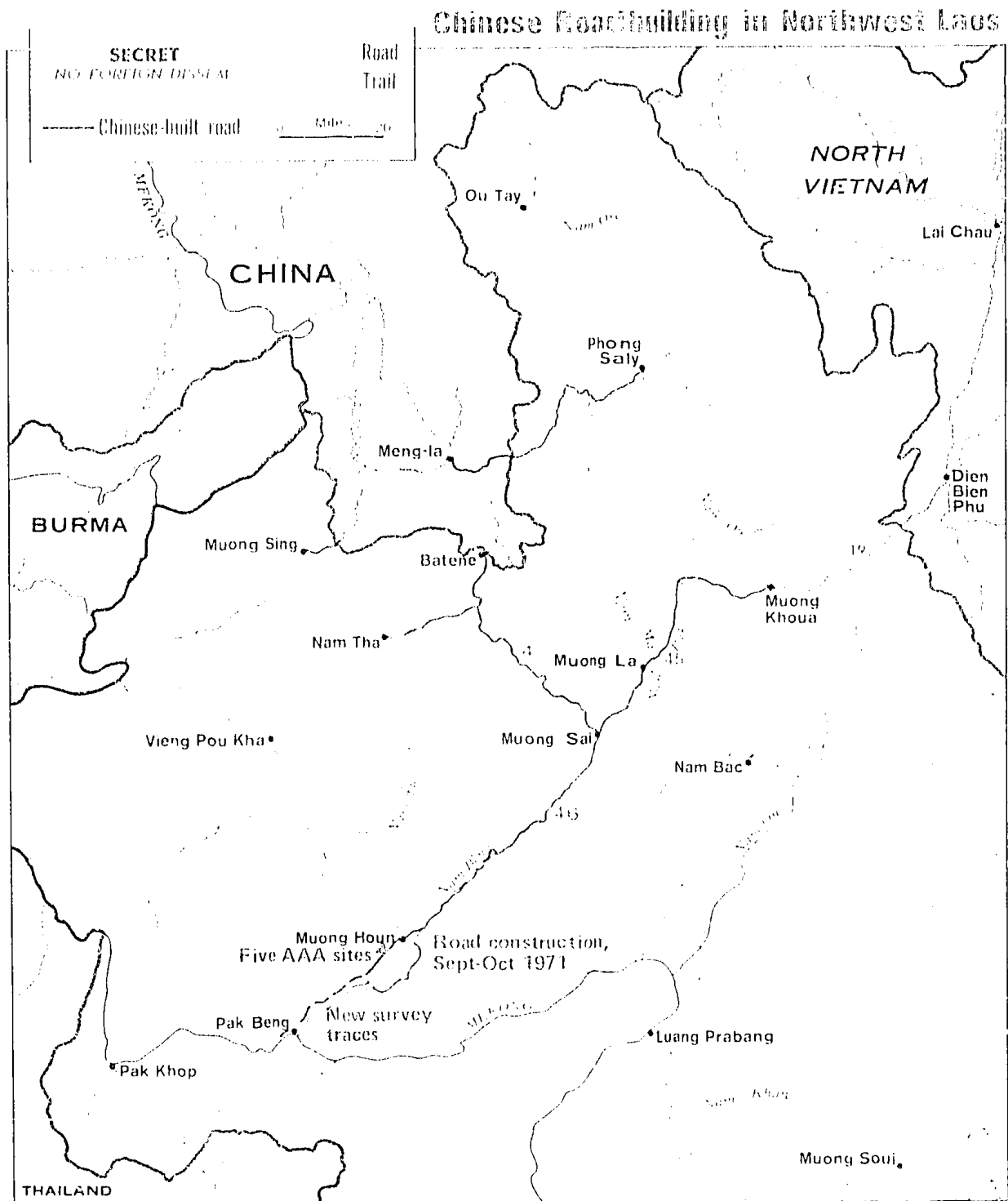
BURUNDI - COMMUNIST CHINA - NORTH KOREA: The Burundi Government has announced the resumption of diplomatic relations with Peking, suspended since 1965. The government also has placed the name of the North Korean ambassador on the diplomatic list after a five-month period during which President Micombero refused to accept the envoy's credentials. Both moves represent victories for the radical faction within the government, led by the foreign minister, which has been pressing for the return of the Chinese Communists and which has apparently headed off an earlier attempt by Micombero to expel the Koreans because of their heavy-handed attempts to propagandize the country's leftist youth. (CONFIDENTIAL)

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